

Message Text

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15

ACTION NEA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 /092 W

----- 012714

R 310309Z JUL 75

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 1301

INFO AMCONSUL KARACHI

AMCONSUL LAHORE

LIMITED OFFICIAL USE ISLAMABAD 6970

E.O. 11652: N/A

TAGS: EINV, EAID, PK

SUBJ: MARI GAS FIELD PROBLEMS

REF: A. ISLAMABAD 6806; B. STATE 177571

1. AT A DINNER PARTY JULY 29, ECON/COM COUNSELOR TALKED FURTHER WITH ESSO RESREP AKBAR MIRZA AND RECEIVED FULLER STORY THAN REPORTED REFTEL A. MIRZA REVEALED HE HAD BEEN TOLD ORALLY BY FURELS SECRETARY H.U. BEG THAT THE CABINET-LEVEL ECONOMIC COORDINATING COMMITTEE (ECC) HAD LAST WEEK TURNED DOWN THE ESSO PROPOSAL. BEG HAD, HOWEVER, CAUTIONED MIRZA NOT TO JUMP TO ANY HASTY CONCLUSIONS UNTIL HE SAW THE WORDING OF THE OFFICIAL LETTER TO ESSO, IMPLYING THAT THE GOP'S REPLY MIGHT NOT BE COMPLETELY NEGATIVE. MIRZA SAID HE UNDERSTOOD THE ESSENCE OF THE ECC ACTION TO BE A TURN DOWN OF ESSO'S OFFER TO SELL ITS MARKETING FACILITIES AND A REQUEST THAT ESSO BRING IN FROM OUTSIDE PAKISTAN THE FOREIGN EXCHANGE NECESSARY TO DEVELOP THE MARI FIELD. REPORTEDLY, THE ECC MEMBER PRIMARILY RESPONSIBLE FOR THIS DECISION WAS PRODUCTION AND INDUSTRIES' MINISTER, RAFI

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RAZA. THE REASONS FOR THE TURN DOWN, ACCORDING TO MIRZA,

WERE: (1) THE GOP HAD NO INTEREST IN TAKING OVER ESSO'S NETWORK; (2) THE GOP FEARED THE PSYCHOLOGICAL EFFECT ON POTENTIAL FOREIGN INVESTORS OF SUCH A MAJOR DISINVESTMENT; AND (3) GOP DID NOT WANT TO PROVIDE FOREIGN EXCHANGE FROM GOP'S OWN RESOURCES TO DEVELOP THE MARI FIELD.

2. MIRZA SAID THAT HE EXPECTS TO RECEIVE THE FUELS MINISTRY LETTER THIS OR NEXT WEEK, AND UNTIL HE HAS SEEN IT WAS RELUCTANT TO SPECUALTE ABOUT ESSO'S RESPONSE. HE SUSPECTED, HOWEVER, THAT ESSO HEADQUARTERS WOULD TAKE A HARD LINE ON NOT DEVELOPING MARI, FOR TWO REASONS: ESSO IS ONLY RECEIVING A FOUR-FIVE PERCENT ANNUAL DOLLAR RETURN ON ITS OIL MARKETING NETWORK; AND ESSO CNSIDERS THE GOP-SET PRICE FOR MARI GAS TOO LOW TO WARRANT FURTHER INVESTMENT FROM ESSO'S OTHER RESOURCES. BECAUSE OF PRICE CONTROL, ESSO HAS ONLY RECEIVED A MINISCULE ANNUAL RETURN ON THE MARI FIELD AND EXXON HAS MORE ATTRACTIVE PLACES TO PUT ITS CAPITAL.

3. WHEN ASKED IF THE UST-ARRIVED WORLD BANK TEAM EXAMINING THE FAUJI/AGRICO PROJECT WAS AWARE OF THE MARI FIELD PROBLEM, MIRZA REPLIED AFFIRMATIVELY. HE SAID THAT HE HAD TALKED WITH A WORLD BANK TEAM MEMBER THE DAY BEFORE IN KARACHI AND THE TEAM WAS TO HAVE HAD ANOTHER MEETING THE NEXT DAY WITH ESSO EASTERN OFFICIALS. THE TEAM HAS BEEN WARNED THAT TWO SERIOUS MARI PROBLEMS REMAINED TO BE OVERCOME: THE GAS WELLHEAD PRICE, AND FINANCING OF MARI'S DEVELOPMENT.

4. EMB IS KEEPING IN CLOSE TOUCH WITH MIRZA AND WILL REPORTCONTENTS GOP LETTER WHEN RECEIVED.

LUPPI

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